

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 FEA-02 COA-02 COME-00 DOTE-00

L-03 AID-20 CEA-02 CIAE-00 EA-11 FRB-02 INR-10 IO-14

NEA-11 NSAE-00 RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02

LAB-06 SIL-01 OMB-01 SSO-00 NSCE-00 INRE-00 SS-20

NSC-10 CG-00 INT-08 DLOS-06 FAA-00 CAB-09 SAM-01

(ISO) R

66605

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O 011559Z FEB 74

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TO USMISSION OECD PARIS IMMEDIATE

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E.O. 11652:

TAGS: ENRG, EFIS, EIRN, OECD

SUBJ: OECD RECOMMENDATION ON BUNKERS FOR SHIPPING,
FISHING, AND AVIATION

REF: OECD 922

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1. MISSION IS AUTHORIZED TO INFORM SEC GEN THAT THE US POSITION ON THE GUIDELINES IS AS FOLLOWS:

A. AVIATION FUELS:

I). USG ACCEPTS THE GUIDELINES ON AVIATION FUELS SUBJECT TO THE FOLLOWING RESERVATIONS:

USG DOES NOT INTERPRET "PRIORITY" TO REQUIRE GIVING INTERNATIONAL FLIGHTS "HIGHEST PRIORITY." HISTORICAL DEVELOPMENTS IN THE AVIATION FUEL MARKET (EXPLAINED BELOW), MAKE IT DIFFICULT TO GIVE INTERNATIONAL FLIGHTS THE SAME TREATMENT AS DOMESTIC FLIGHTS.

1) UNLIKE MOST COUNTRIES, THE US HAS HISTORICALLY KEPT TWO SEPARATE STOCKS OF AVIATION FUEL. DOMESTIC FLIGHTS USE FUEL FROM DOMESTIC OR IMPORTED STOCKS, WHICH ARE SUBJECT TO US TAXATION. INTERNATIONAL FLIGHTS, INCLUDING THOSE BY AMERICAN CARRIERS, TRADITIONALLY OBTAIN FUEL MAINLY FROM BONDED (TAX FREE) STOCKS.

THE PRICE OF DOMESTIC FUEL IS SUBJECT TO US PRICE CONTROLS. CONSEQUENTLY, IT IS CHEAPER THAN BONDED FUEL. UNLESS CONSTRAINED, THE INTERNATIONAL CARRIERS WOULD PURCHASE SOLELY FROM THE CHEAPER DOMESTIC STOCK, WHICH IS ALREADY IN SHORT SUPPLY.

IF BONDED FUEL IS NOT AVAILABLE, FEDERAL ENERGY OFFICE (FEO) REGULATIONS PERMIT INTERNATIONAL CARRIERS TO HAVE RECOURSE TO DOMESTIC STOCKS OF JP-4, TO THE EXTENT THAT THIS FUEL IS AVAILABLE. THESE CARRIERS ARE PERMITTED TO PURCHASE UP TO 95 PERCENT OF THEIR BONDED AND DOMESTIC FUEL CONSUMPTION DURING THE 1972 BASE PERIOD. THIS IS THE SAME ALLOCATION LEVEL AS HAS BEEN SET FOR DOMESTIC COMMERCIAL AVIATION.

B. BUNKERS:

I) THE USG ACCEPTS THE GUIDELINES ON BUNKERS SUBJECT TO THE FOLLOWING NOTES TO RECORD USG INTERPRETATIONS OF LIMITED OFFICIAL USE

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RECOMMENDATIONS:

A) AS A PRACTICAL MATTER, USG EXPERIENCE HAS BEEN THAT "TRADITIONAL BUNKERING PATTERNS" VARY WIDELY FROM YEAR TO YEAR. (FYI. GOOD EXAMPLE OF SUCH VARIATION WAS THE 1973 GRAIN SHIPMENTS TO THE USSR WHICH ARE NOT EXPECTED TO OCCUR ON SAME SCALE IN 1974. END FYI.) THEREFORE USG

WOULD INTERPRET PRIORITY BUNKER REQUIREMENTS WHICH "CORRESPOND TO TRADITIONAL BUNKERING PATTERNS" TO INCLUDE ALSO THE LEGITIMATE BUNKERING REQUIREMENTS OF NEW SHIPPING SERVICES ESTABLISHED TO MEET THE NEEDS OF INTERNATIONAL OCEANBORNE TRADE.

B) THE USG DOES NOT INTERPRET THE TEXT OF THE GUIDELINES TO REQUIRE NATIONAL TREATMENT FOR FISHING VESSELS;

C) WHILE CONCURRING IN EFFORTS TO PROMOTE THE MOST EFFICIENT USE OF BUNKER FUELS, THE USG NOTES THAT REDUCTION ON SHIP SPEEDS MAY NOT ACHIEVE THIS OBJECTIVE IN ALL TRADES.

2. THE MISSION SHOULD ALSO INFORM OECD THE USG DOES NOT CONSIDER ITS ACCEPTANCE OF THE COUNCIL'S RECOMMENDATIONS TO BE INCONSISTENT WITH EXISTING US LEGISLATION OR REGULATIONS, E.G., LEGISLATIVE RESTRICTIONS OF BUNKERING VESSELS OR AIRCRAFT ENGAGED IN TRADE WITH CUBA, NORTH KOREA OR NORTH VIETNAM. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REFUELING, SUPPLIES, FUELING SYSTEMS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE021509
Document Source: CORE
Document Unique ID: 00
Drafter: EB:ORF:FSE:LRAICHT EB/ORF/FSE:MVCREEKMORE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740261/aaaacfjn.tel
Line Count: 137
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: OECD 922
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 18 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 APR 2002 by elyme>; APPROVED <03 JUN 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD RECOMMENDATION ON BUNKERS FOR SHIPPING, FISHING, AND AVIATION
TAGS: ENRG, EFIS, ETRN, OECD
To: OECD PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005